



CITY OF MINCO, OKLAHOMA

**ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS**

**AS OF AND FOR THE FISCAL YEAR
ENDED JUNE 30, 2013**

**THE CITY OF MINCO,
OKLAHOMA
ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS**

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**CITY OF MINCO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013**

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**CITY OF MINCO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013**

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INDEPENDENT AUDITOR'S REPORT

Members of the City Council
City of Minco, Oklahoma

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the government activities, the business-type activities, each major fund, and aggregate remaining fund information of the City of Minco, Oklahoma as of and for the year ended June 30, 2013, and the related notes to the financial, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1.B; this includes determining that the modified cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position—modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Minco, Oklahoma, as of June 30, 2013, and the respective changes in financial position—modified cash basis, and cash flows,

where applicable, thereof for the year then ended in accordance with the basis of accounting described in Note 1.B.

Basis of Accounting

We draw your attention to Note 1.B. of the financial statements, which describes the basis of accounting. The financial statements are prepared on a modified cash basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Disclaimer of Opinion on Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Minco, Oklahoma basic financial statements. The Management's Discussion and Analysis, and the Other Information as listed in the table of contents, which are the responsibility of management, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide other assurance on it.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Angel Johnston & Blessingame, P.C.

Chickasha, Oklahoma
December 11, 2013

CITY OF MINCO, OKLAHOMA
Other Information - Management's Discussion and Analysis
As of and for the Year Ended June 30, 2013

The management of the City of Minco is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the City's financial condition and activities as of and for the year ended June 30, 2013. Management of the City is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The City reports its financial statements and schedules on a modified cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. All of the financial analyses in this report must be considered within the context of the limitations of the modified cash basis of accounting.

FINANCIAL HIGHLIGHTS

- As reported on a modified cash basis, the City's total net position increased by \$146,810. The assets of the City exceed its liabilities at June 30, 2013, by \$1,677,814 (net position). Of this amount, \$1,012,472 (unrestricted net position) is available to meet the government's ongoing needs.
- At June 30, 2013, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$509,363.
- At the end of fiscal year 2013, unassigned fund balance on a modified cash basis for the General Fund was \$277,141, or 43% of annual General Fund revenues.
- The City has altered its modified cash basis of accounting to remove the modifications previously made related to capital asset and long-term debt activity. This new modified cash basis of accounting more closely aligns with the way the City prepares its annual budgets, and is a basis recommended by the Government Finance Officers Association (GFOA) for governments that are not required to prepare financial statements in accordance with Generally Accepted Accounting Principles (GAAP). For comparative purposes, all amounts in this MD&A that are reported for FY 2012's financial activity have been restated for the new modified cash basis presentation so that significant variances between the years presented can be elaborated upon.

ABOUT THE CITY

The City of Minco is an incorporated municipality with a population of approximately 1,632 located in Grady County in central Oklahoma. The City is an aldermanic form of government that provides for three branches of government:

- Legislative – the City Council is an eight-member governing body elected by the citizens at large
- Executive – the Mayor is the Chief Executive Officer and is elected by the citizens
- Judicial – the Municipal Judge is a practicing attorney appointed by the City Council

The City provides typical municipal services such as public safety, cemetery, street and alley maintenance, parks and recreation, and utility services including water, wastewater, and sanitation.

CITY OF MINCO, OKLAHOMA
Other Information - Management's Discussion and Analysis
As of and for the Year Ended June 30, 2013

The City's Financial Reporting Entity

This annual report includes all activities for which the City of Minco City Council is financially accountable. These activities, defined as the City's financial reporting entity, are operated within two separate legal entities that make up the primary government.

The City's financial reporting entity includes the following separate legal entities.

- **The City of Minco** – an incorporated City that operates the public safety, streets, cemetery, culture and recreation, and administrative activities of the City – *reported as part of the primary government*
- **The Minco Municipal Authority** – public trust created pursuant to 60 O.S. § 176 to operate the water, wastewater, and sanitation services of the City, with the City Council members serving as the trustees – *considered part of the primary government presentation for reporting purposes*

In addition, as required by state law, all debt obligations incurred by the trust must be approved by two-thirds vote of the City Council. This is considered sufficient imposition of will to demonstrate financial accountability and to include the trust within the City's financial reporting entity. The public trust does not issue separate annual financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Minco (the "City") and the Minco Municipal Authority (the "Authority"). Included in this report are government-wide statements for each of the two categories of activities - governmental and business-type.

The government-wide financial statements present the complete financial picture of the City using the modified cash basis of accounting. They present governmental and business-type activities separately and combined. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

Reporting the City as a Whole

The Statement of Net Position and Statement of Activities

One of the most important questions to ask about the City's finances is, "Has the City's overall financial condition improved, declined or remained steady as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. You will need to consider other non-financial factors, however, such as changes in the City's sales tax base, the condition of the City's roads, and quality of service to assess the overall health of the City. You will also need to keep in mind that these government-wide statements are prepared in accordance with the modified cash basis of accounting and include only those City assets and liabilities resulting from cash transactions.

CITY OF MINCO, OKLAHOMA
Other Information - Management's Discussion and Analysis
As of and for the Year Ended June 30, 2013

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities: *Governmental activities* - Most of the City's basic services are reported here, including the police, fire, administration, and streets. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities; and *Business-type activities* - Activities where the City charges a fee to customers to help cover all or most of the cost of certain services it provides are reported here. The City's water, sewer, and sanitation utilities are reported as business-type activities.

Reporting the City's Most Significant Funds - Fund Financial Statements

Fund Financial Statements

The fund financial statements provide detailed information about the City's most significant (major) funds -- not the City as a whole. Some funds are required to be established by State law and by debt covenants. However, the City Council may also establish certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City uses two kinds of funds -- *governmental and proprietary*.

Governmental funds - All of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Governmental funds report their activities on a modified cash basis of accounting. For example, these funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Proprietary funds - When the City, through the Minco Municipal Authority, charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are also reported on the modified cash basis of accounting. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability. The City's proprietary fund is the Minco Municipal Authority.

Notes to the Financial Statements

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 24-37 of this report.

CITY OF MINCO, OKLAHOMA
Other Information - Management's Discussion and Analysis
As of and for the Year Ended June 30, 2013

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents Budgetary Comparison Schedules for the General Fund, combining and individual fund financial statements and schedules, a federal and state grant awards schedule, and a debt service coverage schedule.

THE CITY AS A WHOLE

Following is a summary of Net Position reported on a modified cash basis for the City of Minco for the past two fiscal years.

Table 1
NET POSITION - Modified Cash Basis (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	<u>2013</u>	<u>Restated 2012</u>		<u>2013</u>	<u>Restated 2012</u>		<u>2013</u>	<u>Restated 2012</u>	
Current assets	\$ 509	\$ 557	-9%	\$ 1,204	\$ 1,022	18%	\$ 1,713	\$ 1,579	8%
Total assets	<u>509</u>	<u>557</u>	<u>-9%</u>	<u>1,204</u>	<u>1,022</u>	<u>18%</u>	<u>1,713</u>	<u>1,579</u>	<u>8%</u>
Current liabilities	-	5	-100%	35	43	-19%	35	48	-27%
Total liabilities	<u>-</u>	<u>5</u>	<u>-100%</u>	<u>35</u>	<u>43</u>	<u>-19%</u>	<u>35</u>	<u>48</u>	<u>-27%</u>
Net position									
Restricted	210	199	6%	456	453	1%	666	652	2%
Unrestricted	299	353	-15%	713	526	36%	1,012	879	15%
Total net position	<u>\$ 509</u>	<u>\$ 552</u>	<u>-8%</u>	<u>\$ 1,169</u>	<u>\$ 979</u>	<u>19%</u>	<u>\$ 1,678</u>	<u>\$ 1,531</u>	<u>10%</u>

Explanations for significant changes listed below:

Business Type Activities:

Total assets increased by \$134,731 (8%) due to an increase in cash and cash equivalents.

Current liabilities decreased by \$11,779 (27%) due primarily to a decrease in deposits subject to refund.

CITY OF MINCO, OKLAHOMA
Other Information - Management's Discussion and Analysis
As of and for the Year Ended June 30, 2013

Table 2
CHANGES IN NET POSITION - Modified Cash Basis (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2013	Restated 2012		2013	Restated 2012		2013	Restated 2012	
Revenues									
Charges for service	\$ 90	\$ 150	-40%	\$ 566	\$ 577	-2%	\$ 656	\$ 727	-10%
Operating grants and contributions	19	23	-17%	-	-	-	19	23	-17%
Capital grants and contributions	6	6	-	45	-	100%	51	6	750%
Taxes	502	468	7%	-	-	-	502	468	7%
Intergovernmental revenue	16	19	-16%	-	-	-	16	19	-16%
Investment income	2	3	-33%	2	2	0%	4	5	-20%
Miscellaneous	35	50	-30%	-	25	-100%	35	75	-53%
Total revenues	670	719	-7%	613	604	1%	1,283	1,323	-3%
Expenses									
General government	190	212	-10%	-	-	-	190	212	-10%
Public safety	206	245	-16%	-	-	-	206	245	-16%
Highways and streets	7	9	-22%	-	-	-	7	9	-22%
Culture and recreation	3	1	200%	-	-	-	3	1	200%
Cemetery	2	6	-67%	-	-	-	2	6	-67%
Water	-	-	-	574	469	22%	574	469	22%
Sewer	-	-	-	13	35	-63%	13	35	-63%
Sanitation	-	-	-	141	132	7%	141	132	7%
Total expenses	408	473	-14%	728	636	14%	1,136	1,109	-
Excess (deficiency) before transfers	262	246	7%	(115)	(32)	-259%	147	214	-31%
Transfers	(305)	(279)	-9%	305	279	9%	-	-	-
Change in net position	(43)	(33)	30%	190	247	23%	147	214	-31%
Beginning net position, restated	552	585	-6%	979	732	34%	1,531	1,317	16%
Ending net position	\$ 509	\$ 552	-8%	\$ 1,169	\$ 979	19%	\$ 1,678	\$ 1,531	10%

Explanations for significant changes are listed below.

Governmental Activities:

Charges for services had a major decline in public safety revenue from the previous year, decreasing approximately \$60,000, a negative 40%.

Miscellaneous - \$14,492 decrease (-30%) due primarily to donations to the Cemetery Perpetual Care Fund in the previous year.

General Government expenses – approximately \$22,000 decrease (-10%) due primarily to increased costs for legal and accounting costs in the previous year.

Highways and Streets – approximately \$2,000 decrease (-22%) due primarily to the purchase of asphalt in previous year.

CITY OF MINCO, OKLAHOMA
Other Information - Management's Discussion and Analysis
As of and for the Year Ended June 30, 2013

Governmental Activities

Table 3
Net Revenue (Expense) of Governmental Activities
(In Thousands)

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
		Restated			Restated	
	<u>2013</u>	<u>2012</u>		<u>2013</u>	<u>2012</u>	
General government	\$ 190	\$ 212	-10%	\$ (190)	\$ (211)	-10%
Public safety	206	245	-16%	(118)	(85)	39%
Highways and streets	7	9	-22%	8	6	33%
Culture and recreation	3	1	200%	(3)	(1)	200%
Cemetery	2	6	-67%	10	2	400%
Total	<u>\$ 408</u>	<u>\$ 473</u>	-14%	<u>\$ (293)</u>	<u>\$ (289)</u>	1%

See explanation on previous page.

Business-type Activities

Table 4
Net Revenue (Expense) of Business-Type Activities
(In Thousands)

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
		Restated			Restated	
	<u>2013</u>	<u>2012</u>		<u>2013</u>	<u>2012</u>	
Water	\$ 574	\$ 469	22%	\$ (241)	\$ (154)	56%
Sewer	13	35	-63%	78	56	39%
Sanitation	141	132	7%	46	38	21%
Total	<u>\$ 728</u>	<u>\$ 636</u>	14%	<u>\$ (117)</u>	<u>\$ (60)</u>	95%

Water net revenues decreased \$86,633 (56%) due to the exclusion of depreciation expenses. See prior period adjustment note on page 37.

CITY OF MINCO, OKLAHOMA
Other Information - Management's Discussion and Analysis
As of and for the Year Ended June 30, 2013

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2013 fiscal year, the governmental funds reported a combined fund balance of \$509,363. For the year ended June 30, 2013, the General Fund's total fund balance decreased by \$54,062.

For proprietary funds, the City reports an increase in net position for the Minco Municipal Authority of \$189,487.

Budgetary Highlights

For the year ended June 30, 2013, the General Fund reported actual budgetary basis revenues under final estimates by \$69,103 or a 10% negative variance. General Fund actual expenditures were under final appropriations by \$140,993 or a 17% positive variance.

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

The following information outlines significant known factors that will affect subsequent year finances:

- The FY 2014 budget is consistent with prior years.
- The City will begin a major water construction project in 2013-2014.

Contacting the City's Financial Management

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's office at 202 Main, Minco, Oklahoma 73059 or telephone at 405-352-4274.

CITY OF MINCO, OKLAHOMA
ANNUAL FINANCIAL REPORT
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BASIC FINANCIAL STATEMENTS – STATEMENTS OF NET POSITION AND ACTIVITIES

CITY OF MINCO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013

Statement of Net Position (Modified Cash Basis) – June 30, 2013

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$438,912	\$1,003,651	\$1,442,563
Investments	175,512	95,222	270,734
Internal balances	(105,061)	105,061	-
Total Assets	<u>509,363</u>	<u>1,203,934</u>	<u>1,713,297</u>
LIABILITIES			
Deposits subject to refund	-	35,483	35,483
Total Liabilities	<u>-</u>	<u>35,483</u>	<u>35,483</u>
NET POSITION			
Restricted for:			
Street & alley purposes	53,378	-	53,378
Cemetery puposes	156,330	-	156,330
Debt service	-	455,634	455,634
Unrestricted	299,655	712,817	1,012,472
Total net position	<u>\$509,363</u>	<u>\$1,168,451</u>	<u>\$1,677,814</u>

See accompanying notes to the basic financial statements.

CITY OF MINCO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013

Statement of Activities (Modified Cash Basis) – Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
Primary Government:						
Governmental activities:						
General Government	\$ 190,016	\$ 562	\$ -	\$ -	(189,454)	\$ -
Public Safety	205,564	77,023	4,484	5,850	(118,207)	-
Highways and Streets	6,802	-	14,820	-	8,018	-
Culture and Recreation	2,819	-	-	-	(2,819)	-
Cemetery	2,130	11,949	-	-	9,819	-
Total governmental activities	407,331	89,534	19,304	5,850	(292,643)	-
Business-type activities:						
Water	574,050	288,008	-	45,000	-	(241,042)
Sewer	13,372	91,386	-	-	-	78,014
Sanitation	140,672	186,620	-	-	-	45,948
Total business-type activities	728,094	566,014	-	45,000	-	(117,080)
Total primary government	\$1,135,425	\$655,548	\$19,304	\$50,850	(292,643)	(117,080)
General revenues:						
Taxes:						
Sales and use tax					475,140	-
Franchise and public service taxes					26,448	-
Intergovernmental revenue not restricted to specific programs					15,861	-
Investment income					2,528	1,419
Miscellaneous					35,137	-
Transfers - Internal activity					(305,148)	305,148
Total general revenues and transfers					249,966	306,567
Change in net position					(42,677)	189,487
Net position - beginning, restated					552,040	978,964
Net position - ending					\$ 509,363	\$ 1,168,451

See accompanying notes to the basic financial statements.

**CITY OF MINCO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013**

BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

CITY OF MINCO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013

Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2013

	General Fund	Cemetery Perpetual Care Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 362,668	\$ 28,692	\$ 47,552	\$ 438,912
Investments	50,000	125,512	-	175,512
Due from other funds	1,139	860	10,133	12,132
Total Assets	<u>\$ 413,807</u>	<u>\$ 155,064</u>	<u>\$ 57,685</u>	<u>\$ 626,556</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	114,593	2,450	150	117,193
Total Liabilities	<u>114,593</u>	<u>2,450</u>	<u>150</u>	<u>117,193</u>
Fund Balances:				
Restricted for:				
Street & alley purposes	-	-	53,378	53,378
Cemetery purposes	-	152,413	3,917	156,330
Assigned for:				
Capital projects	573	-	-	573
Public safety purposes	689	-	-	689
Street & alley purposes	-	-	240	240
Cemetery purposes	20,811	201	-	21,012
Unassigned	277,141	-	-	277,141
Total Fund Balances	<u>299,214</u>	<u>152,614</u>	<u>57,535</u>	<u>509,363</u>
Total Liabilities and Fund Balances	<u>\$ 413,807</u>	<u>\$ 155,064</u>	<u>\$ 57,685</u>	<u>\$ 626,556</u>

See accompanying notes to the basic financial statements.

CITY OF MINCO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances
(Modified Cash Basis) – Year Ended June 30, 2013

	General Fund	Cemetery Perpetual Care Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 501,588	\$ -	\$ -	\$ 501,588
Intergovernmental	26,195	-	14,820	41,015
Charges for services	8,962	-	2,987	11,949
Fines and forfeitures	77,023	-	-	77,023
Licenses and permits	562	-	-	562
Investment income	2,398	130	-	2,528
Miscellaneous	34,887	10	240	35,137
Total Revenues	<u>651,615</u>	<u>140</u>	<u>18,047</u>	<u>669,802</u>
Expenditures:				
Current:				
General Government	190,016	-	-	190,016
Public Safety	205,564	-	-	205,564
Highways and Streets	-	-	6,802	6,802
Culture and Recreation	2,819	-	-	2,819
Cemetery	2,130	-	-	2,130
Total Expenditures	<u>400,529</u>	<u>-</u>	<u>6,802</u>	<u>407,331</u>
Excess of revenues over expenditures	251,086	140	11,245	262,471
Other Financing Sources (Uses):				
Transfers out	(305,148)	-	-	(305,148)
Total Other Financing Sources (Uses)	<u>(305,148)</u>	<u>-</u>	<u>-</u>	<u>(305,148)</u>
Net change in fund balances	(54,062)	140	11,245	(42,677)
Fund balances - beginning	353,276	152,474	46,290	552,040
Fund balances - ending	<u>\$299,214</u>	<u>\$152,614</u>	<u>\$57,535</u>	<u>\$509,363</u>

See accompanying notes to the basic financial statements.

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BASIC FINANCIAL STATEMENTS – PROPRIETARY FUND

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Proprietary Fund Statement of Net Position (Modified Cash Basis) – June 30, 2013

	<u>Minco Municipal Authority Enterprise Fund</u>
ASSETS	
Cash and cash equivalents	\$ 528,034
Investments	79,722
Due from other funds	106,300
Restricted:	
Cash and cash equivalents	475,617
Investments	15,500
Total Assets	<u>1,205,173</u>
LIABILITIES	
Due to other funds	1,239
Meter deposit liability	35,483
Total Liabilities	<u>36,722</u>
NET POSITION	
Restricted for debt service	455,634
Unrestricted	712,817
Total Net Position	<u>\$ 1,168,451</u>

See accompanying notes to the basic financial statements.

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Proprietary Fund Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis) – Year Ended June 30, 2013

	Minco Municipal Authority Enterprise Fund
Operating Revenues:	
Charges for services:	
Water	\$ 264,451
Sewer	83,911
Sanitation	171,356
Miscellaneous income	46,296
	<hr/>
Total Operating Revenues	566,014
	<hr/>
Operating Expenses:	
Administration	38,733
Water	362,157
Sewer	7,118
Sanitation	127,901
	<hr/>
Total Operating Expenses	535,909
	<hr/>
Operating Income	30,105
Non-Operating Revenues (Expenses):	
Investment income	1,419
Grant revenue	45,000
Debt service:	
Principal retirement	(110,000)
Interest expense and fees	(82,185)
	<hr/>
Total Non-Operating Revenues (Expenses)	(145,766)
	<hr/>
Net Income (Loss) Before Transfers	(115,661)
Transfers in	305,148
	<hr/>
Change in net position	189,487
Total net position - beginning, restated	978,964
Total net position - ending	<hr/> <u>\$ 1,168,451</u>

See accompanying notes to the basic financial statements.

CITY OF MINCO, OKLAHOMA
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Proprietary Fund Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2013

	Minco Municipal Authority Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 566,014
Payments to suppliers	(384,919)
Payments to employees	(150,990)
Receipts of customer utility deposits	13,982
Refunds of customer utility deposits	(21,183)
Received from other funds	7,982
Paid to other funds	(6,992)
 Net Cash Provided by Operating Activities	 <u>23,894</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	305,148
 Net Cash Provided by Noncapital Financing Activities	 <u>305,148</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on debt	(110,000)
Grant revenue	45,000
Interest paid on debt	(82,185)
 Net Cash Provided by (Used in) Capital and Related Financing Activities	 <u>(147,185)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	1,419
Purchase of investment	(396)
 Net Cash Provided by Investing Activities	 <u>1,023</u>
 Net Increase in Cash and Cash Equivalents	 182,880
Balance - beginning of the year	<u>820,771</u>
Balance - end of the year	<u>\$ 1,003,651</u>
Reconciliation to Statement of Net Position:	
Cash and cash equivalents	\$ 528,034
Restricted cash and cash equivalents	<u>475,617</u>
Total cash and cash equivalents	<u>\$ 1,003,651</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 30,105
Change in assets and liabilities:	
Due from other funds	(6,992)
Due to other funds	7,982
Meter deposit liability	<u>(7,201)</u>
Net cash provided by operating activities	<u>\$ 23,894</u>

See accompanying notes to the basic financial statements.

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FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City's financial reporting entity includes two separate legal entities reported as the primary government as follows:

- **The City of Minco** – operates the public safety, streets and public works, cemetery, culture and recreation, and administrative activities of the City.
- **The Minco Municipal Authority (the Authority)** – that operates the water, wastewater, and sanitation services of the City. The City of Minco is the beneficiary of the authority and the City Council serves as the governing body of the authority.

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, *"The Financial Reporting Entity"*, as amended by Statement 61, and includes all component units for which the City is financially accountable.

The component unit is a Public Trust established pursuant to Title 60 of Oklahoma State law. A Public Trust (Trust) has no taxing power. A Trust is generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Trust. The Trust generally retains title to assets which are acquired or constructed with the Trusts debt or other Trust generated resources. In addition, the City has leased certain existing assets at the creation for the Trust to the Trustees on a long-term basis. The City, as beneficiary of the Public Trust, receives title to any residual assets when a Public Trust is dissolved.

The component unit has the City Council as their governing body (trustees) and the City is able to impose its will on the Trust through required approval of all debt obligations issued by these entities.

As required by state law, all debt obligations incurred by the above trust must be approved by two-thirds vote of the City Council. This is considered sufficient imposition of will to demonstrate financial accountability and to include the trust within the City's financial reporting entity. The public trust does not issue separate annual financial statements.

B. Basis of Presentation and Accounting

Government-Wide Financial Statements:

The statement of net position and activities are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles. These modifications include adjustments for the following balances arising from cash transactions:

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- cash-based interfund receivables and payables
- other cash-based receivables/payables
- investments
- utility deposit liabilities

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Program revenues within the statement of activities are derived directly from each activity or from parties outside the City's taxpayers. The City has the following program revenues in each activity:

- General government: License and permits and penalties
- Public safety: Fine revenue, fire runs and operating and capital grants
- Streets and highways: Gas excise and commercial vehicle taxes and capital grants
- Culture and recreation: Recreation fees and operating grants
- Cemetery: Lot sales and interments

Governmental Funds:

General Fund – The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all financial resources not accounted for and reported in another fund.

Special Revenue Funds – used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects.

Capital Project Funds – used to account for and report financial resources that are restricted, committed, or assigned to expend for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Proprietary Funds:

Enterprise Funds – used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

The City's governmental funds are comprised of the following:

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Major Funds:

- General Fund – accounts for all activities not accounted for in other special-purpose funds

The following internal accounts have been combined into the General Fund for the purposes of this report.

- Cemetery Operating Account – accounts for the maintenance and operations of the cemetery
 - Surplus Auction Account – accounts for sales of surplus assets
 - Civil Defense Account – accounts for civil defense operations
 - City Hall Renovation Account – accounts for the residual balance of an ASCOG grant received for the purpose of renovating City Hall
 - CLEET Account – accounts for the collection and remittance of CLEET fees
-
- Cemetery Perpetual Care Fund – accounts for the donations made to the cemetery

Non-Major Funds (Reported as Other Governmental Funds):

Special Revenue Fund:

- Street and Alley Fund – accounts for state shared gasoline excise and commercial vehicle taxes legally restricted for street and alley purposes

Capital Project Fund:

- Cemetery Care Fund – accounts for 25 percent of cemetery revenues half of which is restricted by State law for cemetery capital improvements.

The governmental funds are reported on a modified cash basis of accounting. Only current financial assets and liabilities resulting from cash transactions are included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period. A reconciliation of the governmental funds financial statements to the governmental activities presentation in the government-wide financial statements is not provided.

Proprietary Fund:

The City's proprietary fund is comprised of the following:

- Minco Municipal Authority Fund – accounts for the operation of the water, wastewater and sanitation activities

For purposes of the statement of revenues, expenses and changes in fund net position, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

All of the above noted funds are legally required to adopt annual budgets or appropriations. The public trust (or Trust) is not required to adopt legal annual appropriations. While the trust develops an annual budget, it is for financial management purposes and does not constitute legal appropriations.

C. Cash, Cash Equivalents, and Investments

Cash and cash equivalents includes all demand and savings accounts, certificates of deposit, and any short-term investments with an original maturity of three months or less, and open-end government mutual funds. Investments consist of long-term certificates of deposits and are reported at cost.

D. Compensated Absences

As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid compensatory time that would be due employees upon termination is reported as a commitment in Note 8.

E. Fund Balances and Net Position

Fund Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, and unassigned. These classifications are defined as:

- a. Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. Restricted – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
- c. Committed – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city's highest level of decision-making authority. The City's highest level of decision-making authority is made by ordinance. The City currently reports no committed fund balance.
- d. Assigned – includes amounts that are constrained by the city's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through the budgetary process.
- e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the General Fund.

It is the City's policy to first use restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance is available. The City's policy for the use of the unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Net Position:

Net Position is displayed in two components:

- a. *Restricted Net Position* - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- b. *Unrestricted Net Position* - All remaining net position that does not meet the definition of "restricted".

It is the City's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

F. Internal and Interfund Balances and Transfers

The City's policy is to eliminate interfund transfers and balances in the statement of activities and net position to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances then offset in the total column in the government-wide statements. Internal transfers and balances between funds are not eliminated in the fund financial statements.

G. New Accounting Pronouncements

The City early implemented the following accounting standards during the fiscal year ended June 30, 2013:

Governmental Accounting Standards Board Statement No. 60 – Accounting and Financial Reporting for Service Concession Arrangements – This has no impact on the city's financial report.

Governmental Accounting Standards Board Statement No. 61 – The Financial Reporting Entity: Omnibus – This statement removed a note disclosure that previously reported a related organization. The previously disclosed entity no longer qualifies as a related organization.

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Governmental Accounting Standards Board Statement No. 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements – A few sentences were removed from “Section B – Proprietary Funds” note disclosure to eliminate references to FASB pronouncements and APB opinions issued on or before November 30, 1989.

Governmental Accounting Standards Board Statement No. 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position – The only change required from the early implementation of this statement are changing the words “Net Assets” in the city’s financial report to “Net Position”.

Governmental Accounting Standards Board Statement No. 65 – Items Previously Reported as Assets and Liabilities – This has no impact on the city’s financial report.

2. Deposits and Investments

For the year ended June 30, 2013, the City recognized \$3,947 of investment income. Due to the minimal rates of return on allowable investments in the current environment, most of the City’s deposits are in demand and short-term time deposits with maturity dates of a year or less.

At June 30, 2013, the primary government held the following deposits and investments:

Type	Credit Rating	Carrying Value
<u>Deposits:</u>		
Demand deposits		\$986,929
Time deposits		270,734
		<u>1,257,663</u>
<u>Investments:</u>		
Cavanal Hill US Treasury - Inst CL Fd	AAAm	319,461
Goldman Sachs FS Tax - Fr Inst Fd	AAAm	136,173
		<u>455,634</u>
Total		<u><u>\$1,713,297</u></u>

Reconciliation to the Statement of Net Position:

Cash and cash equivalents	\$1,442,563
Investments	270,734
	<u><u>\$1,713,297</u></u>

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Custody Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the government deposits may not be returned to it. The City is governed by the State Public Deposit Act which requires that the City obtain and hold collateral whose fair value exceeds the amount of uninsured deposits. Investment securities are exposed to custody credit risk if the securities are uninsured, are not registered in the name of the government, and if held by a counterparty or a counterparty's trust, department or agent, but not in the government's name.

As of June 30, 2013, the City was not exposed to custodial credit risk as defined above.

Investment Interest Rate Risk - the City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk - The City has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments in: (1) full faith and credit, direct obligations of the U. S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) county, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district; and government money market funds regulated by the SEC. These investment limitations do not apply to the City's public trusts.

Concentration of Investment Credit Risk - the City places no limit on the amount it may invest in any one issuer.

Restricted Cash and Investments - The amounts reported as restricted assets on the Proprietary Fund Statement of Net Position are comprised of amounts restricted for debt service, debt reserve, and utility deposits. The restricted assets as of June 30, 2013 are as follows:

<u>Type of Restricted Assets</u>	<u>Cash and Cash</u>		<u>Total</u>
	<u>Equivalents</u>	<u>Investments</u>	
Utility Deposits	\$ 19,983	\$ 15,500	\$ 35,483
Trustee Accounts	<u>455,634</u>	<u>-</u>	<u>455,634</u>
Total Restricted Assets	<u>\$ 475,617</u>	<u>\$ 15,500</u>	<u>\$ 491,117</u>

3. Sales Tax Revenue

Sales tax revenue represents a four cent tax on each dollar of taxable sales. The four cents are recorded in the General Fund and then three cents are transferred to the authority for debt service and the unused sales tax remains in the authority.

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4. Property Tax Levy

The City presently levies no property tax. In accordance with state law, a municipality may only levy a property tax to retire general obligation debt approved by the voters and to pay judgments rendered against the City.

5. Internal and Interfund Balances and Transfers

Internal and Interfund Balances

The City's policy is to eliminate interfund receivables and payables between funds in the statement of Net Position to avoid the grossing up of balances. Only the residual balances due between governmental and business-type activities are reported as internal balances and then offset in the total column.

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Interfund Balance</u>
General Fund	Street & Alley Fund	\$ 6,316	expense reimbursement
General Fund	MMA	106,028	expense reimbursement
MMA	Street & Alley Fund	100	expense reimbursement
MMA	General Fund	1,139	expense reimbursement
Civil Defense Fund	MMA	22	expense reimbursement
Street & Alley Fund	MMA	150	expense reimbursement
Cemetery Perpetual Care Fund	Cemetery Care Fund	2,450	expense reimbursement
General Fund	Cemetery Care Fund	1,267	expense reimbursement
Cemetery Perpetual Care Fund	MMA	100	deposited in wrong account
General Fund	Cemetery Perpetual Care Fund	860	25% transfer
		<u>\$ 118,432</u>	

Reconciliation to fund financial statements:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>	<u>Internal Balance</u>
Governmental Funds	\$ 12,132	\$ (117,193)	\$ (105,061)
Proprietary Funds	106,300	(1,239)	105,061
Total	<u>\$ 118,432</u>	<u>\$ (118,432)</u>	<u>\$ -</u>

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Transfers between funds and legal entities are comprised of the following:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Nature of Transfer</u>
General Fund	MMA	\$ 305,148	Sales tax transfer
		<u>\$ 305,148</u>	

Reconciliation to Fund Financials and Statement of Activities:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Activities	\$ -	\$ 305,148	\$ (305,148)
Business-Type Activities	305,148	-	305,148
Total	<u>\$ 305,148</u>	<u>\$ 305,148</u>	<u>\$ -</u>

6. Risk Management

The City and its public trusts are exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The City purchases commercial insurance for protection against loss other than health, life, and workers compensation. Deductibles on property, vehicle, and general liability policies range from \$0 - \$5,000. Settled claims have not exceeded the commercial coverage during the past three years.

The City is a member of the Oklahoma Municipal Assurance Group Workers' Compensation Plan (the Plan), an organization formed for the purpose of providing workers' compensation coverage through the State Insurance Fund to participating municipalities in the State of Oklahoma. In that capacity, the Plan is responsible for providing loss control services and certain fiscal activities, including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the Plan year.

As a member of the Plan, the City is required to pay fees set by the Plan according to an established payment schedule. The City is responsible for complying with all requirements of the Oklahoma Workers' Compensation Act. A Loss Fund has been established from the proceeds of fees paid by the City. The City's Loss Fund balance at June 30, 2013 was \$13,205. The State Insurance Fund provides coverage in excess of the Loss Fund so the City's liability for claim loss is limited to the balance of that fund. However, failure of the State Insurance to honor its obligations could result in losses to the Plan.

7. Employee Retirement Plan Participation

The City of Minco participates in two pension or retirement plan:

- Oklahoma Firefighter's Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
- Simple IRA – a defined contribution plan

OFPRS

The City of Minco, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Firefighter's Pension and Retirement System (OFPRS) as a result of the employment of volunteer firefighters. The OFPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the City must participate in the plan if they employ fulltime or volunteer firefighters. For 2013, 2012, and 2011, the City's annual required contribution was \$1,320, \$780, and \$960, respectively, for the OFPRS plan and was equal to the City's actual contribution for each year.

The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

OFPRS
4545 N. Lincoln Blvd., Suite 265
Oklahoma City, OK 73105-3414

Simple IRA Defined Contribution Plan

The City enacted a Simple IRA Plan utilizing the IRS For 5304-SIMPLE for its employees. A Simple IRA is an individual retirement account described in section 408(a) to which the only contributions that can be made are contributions under a Simple Plan and rollovers or transfers from another Simple IRA. The Simple Plan is a defined contribution plan. The City also administers the Simple Plan.

Employee Eligibility Requirements – All employees are eligible.

Salary Reduction Agreement – For a calendar year, an eligible employee may make or modify a salary reduction election during the 60-day period immediately preceding January 1 of that year. However, for the year in which the employee becomes eligible to make salary reduction contributions, the period during which the employee may make or modify the election is a 60-day period that includes either the date the employee becomes eligible or the day before. In addition to the election periods described above, eligible employees may make salary reduction elections or modify prior elections monthly.

Contributions – For each calendar year, the City will contribute a matching contribution to each eligible employee's SIMPLE IRA equal to the employee's salary reduction contributions up to a limit of 3% of the employee's compensation for the calendar year. Contributions are made on a monthly basis. Contributions made during the fiscal year are as follows: City - \$4,270; Employees - \$5,891.

Vesting Requirements – All contributions made under this Simple Plan are fully vested and non-forfeitable.

No Withdrawal Restrictions – The City may not require the employee to retain any portion of the contribution in his or her Simple IRA or otherwise impose any withdrawal restrictions.

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Selection of IRA Trustee – The City must permit each eligible employee to select the financial institution that will serve as the trustee, custodian, or issuer of the Simple IRA to which the City will make all contributions on behalf of the employee. The custodian of the Simple Plan is Metropolitan Life Insurance.

Amendments – The Simple Plan may not be amended except to modify the entries inserted in the blanks or boxes provided in Articles I, II, III, VI, and VIII.

8. Commitments and Contingencies

Compensated Absences:

As a result of the City's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation and comp leave) earned but unpaid at year-end are not reflected in the basic financial statements. The compensated absence commitment at June 30, 2013 is \$4,225.

Long-Term Debt:

For the year ended June 30, 2013, the reporting entity's long-term debt changed as follows:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Amount Due</u> <u>Within One Year</u>
<i>Business-Type:</i>					
Notes payable	\$ 1,905,000	\$ -	\$ 110,000	\$ 1,795,000	\$ 115,000
Total Long-term Debt	<u>\$ 1,905,000</u>	<u>\$ -</u>	<u>\$ 110,000</u>	<u>\$ 1,795,000</u>	<u>\$ 115,000</u>

Governmental Activities:

At June 30, 2013, the governmental activities had no long-term debt.

Business-Type Activities:

Long-term commitments payable from net revenues generated by the utility resources or other resources pledged to the City's business-type activities at June 30, 2013, includes the following:

Notes Payable:

Series 2005B Promissory Note to Oklahoma Water Resources Board, original issue amount of \$2,500,000, secured by sales tax and utilities revenues, payable in semi-annual installments, interest rate of 3.095% to 4.695%, final maturity September 15, 2024.	<u>\$1,795,000</u>
Total Notes Payable	<u>\$1,795,000</u>

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Current portion	\$115,000
Non-current portion	<u>1,680,000</u>
Total Notes Payable	<u>\$1,795,000</u>

Payment Requirements to Maturity:

Business-Type Activities

Year Ended June 30,	<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 115,000	\$ 77,802
2015	120,000	73,107
2016	125,000	68,089
2017	130,000	62,723
2018-2022	760,000	217,849
2023-2026	<u>545,000</u>	<u>39,086</u>
Total	<u>\$1,795,000</u>	<u>\$538,656</u>

Pledge of Future Revenues

Sales Tax and Utility Net Revenues Pledge – The City has three cents (or 75%) of pledged sales tax revenues for debt service coverage purposes (if needed) and net utility revenues to repay the \$2,500,000 of Series 2005B Promissory Note. Proceeds from the bonds provided financing for capital assets. The bonds are payable from pledged sales tax revenues and net utility revenues and are payable through 2024. The total principal and interest for the remainder of the life of the bond is \$2,333,656. Pledged sales taxes received in the current year were \$305,148 and net utility revenues were \$30,105. Debt service payments of \$192,185 for the current fiscal year were 57% of pledged sales taxes and net utility revenues.

Litigation:

The City and its public trusts are parties to various legal proceedings or have threatened litigation which normally occurs in the course of municipal governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State Constitution and statutes provide for the levy of an ad valorem tax over a three-year period by a Sinking Fund for the payment of any court assessed judgment rendered against the City. (This provision is not available to public trusts.) While the outcome of the above noted proceedings or threatened litigation cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

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Federal and State Award Programs:

The City of Minco participates in various federal or state grant/loan programs from year to year. In 2013, the City's involvement in federal and state award programs was not significant. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements.

Prior Period Adjustment:

Beginning net position was restated due to a change in the basis of accounting:

	Minco Municipal Fund	Government-Wide	
		Governmental Activities	Business-type Activities
Beginning net position, as previously reported	\$ 661,010	\$ 780,655	\$ 661,010
Removal of capital assets due to change in basis of accounting	(1,521,721)	(228,615)	(1,521,721)
Removal of long-term debt due to change in basis of accounting	1,839,675		1,839,675
Beginning net position, restated	<u>\$ 978,964</u>	<u>\$ 552,040</u>	<u>\$ 978,964</u>

**CITY OF MINCO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013**

SUPPLEMENTAL AND OTHER INFORMATION

CITY OF MINCO, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Budgetary Comparison Schedule (Modified Cash Basis) – Year Ended June 30, 2013 (Unaudited)

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 377,987	\$ 377,987	\$ 355,782	\$ (22,205)
Resources (Inflows):				
Taxes	450,187	522,037	501,588	(20,449)
Intergovernmental	10,692	18,842	26,195	7,353
Fines and forfeitures	146,120	146,120	77,023	(69,097)
Licenses and permits	550	550	562	12
Investment income	1,600	1,600	1,120	(480)
Miscellaneous	20,200	20,200	33,758	13,558
Total Resources (Inflows)	<u>629,349</u>	<u>709,349</u>	<u>640,246</u>	<u>(69,103)</u>
Amounts available for appropriation	<u>1,007,336</u>	<u>1,087,336</u>	<u>996,028</u>	<u>(91,308)</u>
Charges to Appropriations (Outflows):				
General government	210,500	245,220	174,793	70,427
Police	195,000	195,693	166,152	29,541
Fire	28,000	28,000	25,977	2,023
Municipal Court	7,000	10,780	10,632	148
Parks	2,500	7,500	2,819	4,681
Code enforcement	14,300	14,300	4,591	9,709
First Responders	4,000	4,000	2,169	1,831
Transfers out	301,947	338,447	315,814	22,633
Total Charges to Appropriations	<u>763,247</u>	<u>843,940</u>	<u>702,947</u>	<u>140,993</u>
Ending Budgetary Fund Balance	<u>\$ 244,089</u>	<u>\$ 243,396</u>	<u>\$ 293,081</u>	<u>\$ 49,685</u>

Reconciliation to General Fund Revenues, Expenditures and Changes in Fund Balance:

Cleet Account	(16,240)
Cemetery Operating Account	20,811
Civil Defense Account	689
City Hall Renovations Account	573
Surplus Auction Account	300
Fund Balance per Statement of Revenues, Expenditures and Changes in Fund Balance	<u><u>\$ 299,214</u></u>

**CITY OF MINCO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013**

Footnotes to Budgetary Comparison Schedules:

1. The budgetary comparison schedule is reported on the same modified cash basis as governmental funds within the basic financial statement.

2. The legal level of appropriation control is the department level within a fund. Transfer appropriations require the City Manager's approval and supplemental appropriations require City Council's approval.

CITY OF MINCO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013

Combining Balance Sheet – General Fund Accounts (Modified Cash Basis) – June 30, 2013

	<u>General Account</u>	<u>CLEET Account</u>	<u>Cemetery Operating Account</u>	<u>Civil Defense Account</u>	<u>City Hall Renovations Account</u>	<u>Surplus Auction Account</u>	<u>Totals</u>
ASSETS							
Cash and cash equivalents	\$ 338,121	\$ 25	\$ 22,939	\$ 711	\$ 573	\$ 300	\$ 362,669
Investments	50,000	-	-	-	-	-	50,000
Due from other funds	17,404	-	100	-	-	-	17,504
Total Assets	<u>405,525</u>	<u>25</u>	<u>23,039</u>	<u>711</u>	<u>573</u>	<u>300</u>	<u>430,173</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Due to other funds	112,444	16,265	2,228	22	-	-	130,959
Total Liabilities	<u>112,444</u>	<u>16,265</u>	<u>2,228</u>	<u>22</u>	<u>-</u>	<u>-</u>	<u>130,959</u>
Fund Balances:							
Assigned for:							
Capital projects	-	-	-	-	573	-	573
Public safety	-	-	-	689	-	-	689
Cemetery	-	-	20,811	-	-	-	20,811
Unassigned	293,081	(16,240)	-	-	-	300	277,141
Total Fund Balances	<u>293,081</u>	<u>(16,240)</u>	<u>20,811</u>	<u>689</u>	<u>573</u>	<u>300</u>	<u>299,214</u>
Total Liabilities and Fund Balances	<u>\$ 405,525</u>	<u>\$ 25</u>	<u>\$ 23,039</u>	<u>\$ 711</u>	<u>\$ 573</u>	<u>\$ 300</u>	<u>\$ 430,173</u>

CITY OF MINCO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund Accounts (Modified Cash Basis) – Year Ended June 30, 2013

	<u>General Account</u>	<u>CLEET Account</u>	<u>Cemetery Operating Account</u>	<u>Civil Defense Account</u>	<u>City Hall Renovations Account</u>	<u>Surplus Auction Account</u>	<u>Totals</u>
Revenues:							
Taxes	\$ 501,588	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 501,588
Intergovernmental	26,195	-	-	-	-	-	26,195
Charges for services	-	-	8,962	-	-	-	8,962
Fines & forfeitures	77,023	-	-	-	-	-	77,023
Licenses & permits	562	-	-	-	-	-	562
Investment income	1,120	-	1,278	-	-	-	2,398
Miscellaneous	33,758	-	1,129	-	-	-	34,887
Total Revenues	<u>640,246</u>	<u>-</u>	<u>11,369</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>651,615</u>
Expenditures:							
Current:							
General government	190,016	-	-	-	-	-	190,016
Public safety	194,298	11,266	-	-	-	-	205,564
Culture and recreation	2,819	-	-	-	-	-	2,819
Cemetery	-	-	2,130	-	-	-	2,130
Total Expenditures	<u>387,133</u>	<u>11,266</u>	<u>2,130</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>400,529</u>
Excess (deficiency) of revenues over expenditures	253,113	(11,266)	9,239	-	-	-	251,086
Other Financing Sources (Uses):							
Transfers in	-	10,666	-	-	-	-	10,666
Transfer out	(315,814)	-	-	-	-	-	(315,814)
Total Other Financing Uses	<u>(315,814)</u>	<u>10,666</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(305,148)</u>
Net change in fund balances	(62,701)	(600)	9,239	-	-	-	(54,062)
Fund balances- beginning	355,782	(15,640)	11,572	689	573	300	353,276
Fund balances, ending	<u>\$ 293,081</u>	<u>\$ (16,240)</u>	<u>\$ 20,811</u>	<u>\$ 689</u>	<u>\$ 573</u>	<u>\$ 300</u>	<u>\$ 299,214</u>

CITY OF MINCO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013

Combining Balance Sheet – Nonmajor Governmental Funds (Modified Cash Basis) – June 30, 2013

	Special Revenue Fund Street & Alley Fund	Capital Project Fund Cemetery Care Fund	Totals
ASSETS			
Cash and cash equivalents	\$ 47,352	\$ 200	\$ 47,552
Due from other funds	6,416	3,717	10,133
Total Assets	53,768	3,917	57,685
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to other funds	150	-	150
Total Liabilities	150	-	150
Fund Balances:			
Restricted for:			
Street & alley purposes	53,378	-	53,378
Cemetery purposes	-	3,917	3,917
Assigned for:			
Street & alley purposes	240	-	240
	53,618	3,917	57,535
Total Liabilities and Fund Balances	\$ 53,768	\$ 3,917	\$ 57,685

CITY OF MINCO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds (Modified Cash Basis) – Year Ended June 30, 2013

	Special Revenue Fund Street & Alley Fund	Capital Project Fund Cemetery Care Fund	Totals
Revenues:			
Charges for services	\$ -	\$ 2,987	\$ 2,987
Intergovernmental	14,820		14,820
Miscellaneous	240	-	240
Total Revenues	15,060	2,987	18,047
Expenditures:			
Current:			
Highways & streets	6,802	-	6,802
Total Expenditures	6,802	-	6,802
Excess of revenues over expenditures	8,258	2,987	11,245
Net change in fund balances	8,258	2,987	11,245
Fund balances, beginning	45,360	930	46,290
Fund balances, ending	\$ 53,618	\$ 3,917	\$ 57,535

CITY OF MINCO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013

Schedule of Expenditures of Federal and State Awards – For year ended June 30, 2013

Federal/State Grantor/Pass Through Agency Grantor/Program Title	Federal CFDA Number	Grant #	Award Amount	Awards Expended
FEDERAL AWARDS:				
<u>US DEPARTMENT OF HOMELAND SECURITY:</u>				
Passed through Oklahoma Department of Homeland Security: Interoperable Emergency Communications Grant	97.055	180200	\$ 5,850	\$ 5,850
Total Federal Awards			<u>\$ 5,850</u>	<u>\$ 5,850</u>
STATE AWARDS:				
<u>OKLAHOMA DEPARTMENT OF AGRICULTURE:</u>				
Fire Operating Grant	N/A	N/A	\$ 4,484	\$ 4,484
<u>ASSOCIATION OF SOUTH CENTRAL OKLAHOMA GOVERNMENTS:</u>				
REAP Grant 2012	N/A	122265	45,000	45,000
Total State Awards			<u>\$ 49,484</u>	<u>\$ 49,484</u>

CITY OF MINCO, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013

Schedule of Debt Service Coverage Compliance

	Series 2005B
	Promissory Note
GROSS REVENUE AVAILABLE:	
Operating revenues of leased systems (1)	\$ 566,014
Sales tax appropriated and transferred from the City General Fund	305,148
	<hr/>
Total Gross Revenue Available	871,162
	<hr/>
OPERATING EXPENSES:	
Total Operating Expenses	535,909
	<hr/>
Net Revenue Available for Debt Service	\$ 335,253
	<hr/>
Maximum Annual Debt Service Requirements	\$ 196,970
	<hr/>
	\$ 196,970
	<hr/>
Computed Coverage	170%
	<hr/>
Coverage Requirement	125%
	<hr/>

(1) Leased systems include water, sewer and sanitation.

Schedule of Reserve Requirement

	Series 2005B
	Promissory Note
Balance in Reserve Account, June 30, 2013	\$ 196,973
Required Balance of Reserve per Bond Agreement (2)	196,970
	<hr/>
Surplus of Account Balance over Required Balance Reserve	3
	<hr/>

(2) Represents maximum annual debt service



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF THE ACCOMPANYING FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Members of the City Council
City of Minco, Oklahoma

We have audited audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Minco, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 11, 2013. The report was a special report on the City's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, significant deficiencies, or material weaknesses may exist and be identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies described in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies: 13-1, 13-2, 13-3, 13-4, 13-5, 13-6, 13-7, 13-8 and 13-9.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items: 13-3, 13-4, 13-7 and 13-8.

City of Minco's Responses to Findings

The City's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Angel, Johnston & Blessingame, P.C.

Chickasha, Oklahoma
December 11, 2013

CITY OF MINCO, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

Deficiencies of Internal Control, Compliance and Other Matters

- 13-1. Criteria – A good system of internal control provides for a proper segregation of the accounting functions.

Condition – The City has a small number of employees that perform the duties that would optimally be divided among a larger number of employees.

Cause – Financial resources have not been available or been made available to hire the additional employees necessary to have proper segregation of duties.

Effect – Financial errors or irregularities could occur and not be detected in a timely manner.

Recommendation – Review the design of your accounting system to obtain the greatest amount of accountability.

Management response – Management has implemented various new procedures and the independent consulting firm is independently reconciling bank accounts.

- 13-2. Criteria – Utility receivables and meter deposit balances should be independently reconciled on a monthly basis. The reconciled balance should tie out all the variables that change the account balances.

Condition – The utility and meter deposits are not being reconciled either by the utility personnel or independently.

Cause – The necessary training or commitment has not been made to implement this process.

Effect – As noted in 13-1 there is a lack of segregation of duties and so financial errors or irregularities could occur and not be detected in a timely manner. Without out these procedures the process still has these deficiencies.

Recommendation – Design and implement reconciliation procedures.

Management response – Management is working on designing and implementing a monthly schedule to reconcile utility receivables and meter deposit balances.

- 13-3. Criteria – It is required by ordinance that 25% of cemetery revenue be transferred to the Cemetery Care Fund.

Condition – For the year the 25% required amount was transferred in error to the Cemetery Perpetual Care Fund.

Cause – There was a misunderstanding as to the proper disposition of the 25% of collections.

Effect – The City Ordinances were not followed in relation to the Cemetery Care transfer.

Recommendation – Establish monitoring procedures to insure compliance.

Management response – Management will begin depositing 25% of lot sales into the Cemetery Care Fund. It has been going in to the Perpetual Care Fund.

CITY OF MINCO, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

- 13-4. Criteria – Purchase orders are to be used to initiate the purchasing process. If properly followed this insures the City stays within budget. Also the purchase orders should be by the encumbrance clerk to verify budgeted funds are available. And the invoices should be signed indicating receipt of goods or services.

Condition – In our expenditure testing we noted several purchase orders that were dated after the invoice date. The encumbrance clerk did not sign the purchase orders and the invoices were not signed indicating receipt of good or service.

Cause – There is not proper implementation of the state purchasing law.

Effect – Purchasing laws were violated and the budget could not be properly monitored.

Recommendation – The City needs to establish proper purchasing procedures. Management and the City Council must establish clarity and expectations related to these requirements.

Management response – Purchase orders are being used to initiate the purchasing process and have been used since the current management has been in place. POs are being signed by the City Clerk and signatures are being required to evidence receipt of goods or services.

- 13-5. Criteria – Proper controls over the purchasing process should include new vendor authorization procedures.

Condition – There are no prior approval process for new vendors.

Cause – There has never been a review of purchasing procedure screening process.

Effect – This exposes the City to one of the most common fraud schemes involving improper vendor relations.

Recommendation – Implement proper vendor screening including background checks and reference checks.

Management response – Management will have a written purchasing policy which includes a vendor authorization procedure.

- 13-6. Criteria – All police tickets should be tracked to make sure all are accounted for.

Condition – During police revenue tickets we were unable to locate two of the tickets selected for testing. Subsequently the staff was unable to locate all the tickets.

Cause – Proper ticket monitoring processes were not implemented or monitored.

Effect – We were unable to verify the proper recording of all police tickets.

Recommendation – Establish and monitor ticket dispositions.

Management response – Management is currently tracking police tickets by collecting all used ticket books and accounting monthly for the whereabouts of all tickets that are checked out.

CITY OF MINCO, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

- 13-7. Criteria – All employee benefits need to be listed in the employee handbook to insure proper communication.

Condition – We noted that life insurance is being paid for some employees but is not listed in the employee's handbook. We were told that this benefit is communicated verbally and they have an option to receive the benefit.

Cause – Lack of proper documentation of employee benefits.

Effect – There is apparently a lack of documentation that consistent communication of benefits was made to the employees. This potentially could cause a problem if employee misses a benefit due to lack of communication and documentation.

Recommendation – All benefits need to be documented in the employee handbook. Employee receipt of the handbook should be documented.

Management response – Management will change the handbook to reflect the life insurance benefit.

- 13-8. Criteria – Our confirmation of AT&T inspection fees indicated they sent \$2,438.91 of revenue in January of 2013.

Condition – This income could never be located in the City's records.

Cause – Lack of procedures to monitor irregular income.

Effect – Some funds could be missing or the confirmation could be incorrect.

Recommendation – All income items need to be tracked until proper disposition can be documented.

Management response – Monthly bank reconciliations and journal entries are made to ensure all income received is properly recorded on the general ledger. Management called AT&T to inquire as to the accuracy of the confirmation they sent to the auditors because the revenue was not received. AT&T responded that they would have an answer by the end of the year.

- 13-9. Criteria – On the modified cash basis of accounting expenses are recorded when issued and revenue is recorded when received.

Condition – At yearend there were several checks recorded as an expense for 2012-13 that were not issued until July, 2013. There were also some deposits received in June, 2013 that were not recorded until 2013-14.

Cause – Proper cutoff procedures were not applied at yearend.

Effect – The Minco Municipal Authority expenses were overstated by \$16,333 and revenue was understated by \$839. In the General Fund expenses were overstated by \$7,204 and income was understated by \$123. The Street and Alley Fund expenses were overstated \$565.

CITY OF MINCO, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

Recommendation – At yearend procedures to carefully record expenses in the correct year need to be implemented and followed.

Management response – Management will implement procedures at year end to ensure expenses are recorded in the proper period.

CITY OF MINCO, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

Deficiencies of Internal Control, Compliance and Other Matters

- 12-1. Criteria – A good system of internal control provides for a proper segregation of the accounting functions.

Condition – The City has a small number of employees that perform the duties that would optimally be divided among a larger number of employees.

Disposition – Due to the cost involved this has not been resolved. However, the hiring of the consulting firm has improved the situation.

- 12-2. Criteria – Utility receivables and meter deposit balances should be independently reconciled on a monthly basis. The reconciled balance should tie out all the variables that change the account balances.

Condition – The utility and meter deposits are not being reconciled either by the utility personnel or independently.

Disposition – This was not implemented in the 2012-13 year.

- 12-3. Criteria – It is required by ordinance that 12.5% of cemetery revenue be transferred to the Cemetery Care Fund.

Condition – For the year the 12.5% required amount was not transferred.

Disposition – This was corrected but the funds were transferred to the Cemetery Perpetual Care Fund in error.

- 12-4. Criteria – Purchase orders are to be used to initiate the purchasing process. If properly followed this insures the City stays within budget.

Condition – In our expenditure testing we noted several purchase orders that were dated after the invoice date.

Disposition – This was noted again in the 2012-13 year.

- 12-5. Criteria – For proper monitoring of the City's expenditures proper classification is required.

Condition – We noted \$4,300 of police gas expense was transferred to police payroll apparently to reduce the police gas expense line item.

Disposition – This was not noted in the 2012-13 year.

- 12-6. Criteria – Annually a budget is required to be adopted for the General Fund and the Special Revenue Funds. These budgets can be amended and the City is required not to exceed the total amended budgets.

CITY OF MINCO, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

Condition – The Street and Alley Fund overspent its budget. The General Fund departments for General Government, Municipal Court, and Code Enforcement budgets were overspent.

Disposition – This was not noted in the current year.

- 12-7. Criteria – All employee benefits need to be listed in the employee handbook to insure proper communication.

Condition – We noted that life insurance is being paid for some employees but is not listed in the employee's handbook. We were told that this benefit is communicated verbally and they have an option to receive the benefit.

Disposition – This was noted in the 2012-13 year again.

- 12-8. Criteria – Management of the utility revenue and costs can be monitored by comparing water volumes used pumped and sold.

Condition – This comparison was not performed.

Disposition – This was not noted in the current year.

- 12-9. Criteria – Cemetery revenue needs to be tracked for proper accountability.

Condition – There appeared to be one instance of a \$500 lot sale that could not be located in deposits. Also lots sales are sometimes received in installments. However, there is no follow up billings or tracking of balances due. There were also some lots that we inquired about that we were unable to tell if they were sold or not.

Disposition – This was not noted in the current year.